

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 NEA-14 ISO-00 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 FEA-02 INT-08 DODE-00 PA-04 USIA-15 PRS-01 L-03

H-03 IO-14 AEC-11 PM-07 SAM-01 SCI-06 FPC-01 DRC-01

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P 080559Z MAY 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3278

INFO AMEMBASSY DACCA PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECL 7/31/74

TAGS: EAID, EFIN

SUBJECT: PROPOSED PREPARATORY TECHNICAL ASSISTANCE FOR
BANGLADESH ENERGY POLICY STUDY

SUMMARY: UNDP HAS AGREED TO PROVIDE \$50,000 FOR
PREPARATORY TECHNICAL ASSISTANCE (TA) TO BANGLADESH
FOR BANGLADESH ENERGY POLICY STUDY, AND GOVERNMENT
HAS REQUESTED ADB TO ACT AS EXECUTING AGENCY FOR UNDP.
USADB PLANS TO CONCUR IN PROPOSAL.

1. ADB DOC. R43-74 DESCRIBING PROPOSED TA POUCHED
ADDRESSEES APRIL 23. BOARD CONSIDERATION SCHEDULED
MAY 9.

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2. ADB MANAGEMENT PROPOSING THAT BANK ACCEDE TO GOVT OF BANGLADESH REQUEST TO ACT AS EXECUTING AGENCY FOR UNDP-FINANCED PREPARATORY TA FOR BANGLADESH ENERGY POLICY STUDY. PROCEEDS OF UNDP \$50,000 GRANT WILL FINANCE FOREX COST OF SERVICES OF TEAM OF CONSULTANTS FOR APPROXIMATELY THREE-MONTH PERIOD TO CONDUCT INCEPTION STUDY OF ENERGY INFORMATION AVAILABLE, INCLUDING ANALYSIS OF ALL PREVIOUS STUDIES, SO AS TO ESTABLISH SPECIAL FRAMEWORK FOR CONDUCT OF SUBSEQUENT COMPREHENSIVE ENERGY POLICY STUDY, WITH REFERENCE IN PARTICULAR TO POWER SECTOR DEVELOPMENT PLANNING. BY ITS INVOLVEMENT IN INCEPTION STUDY AS EXECUTING AGENCY FOR UNDP, BANK WILL NOT BE COMMITTED TO ANY FOLLOW-UP ACTION THAT MAY BE REQUIRED, ALTHOUGH SUCH ACTION WILL BE CONSIDERED ON ITS MERITS AFTER COMPLETION OF INCEPTION STUDY.

3. BANGLADESH POWER SYSTEM IS DIVIDED INTO EAST AND WEST ZONES SEPARATED BY GANGES-BRAHMAPUTRA RIVER SYSTEM. POSSIBLE OPTIONS FOR INTER-CONNECTION BETWEEN TWO ZONES INCLUDE POWER TRANSMISSION LINE ACROSS RIVER COMPLEX AND GAS TRANSMISSIONLINE. WHILE EAST ZONE HAS SURPLUS CAPACITY AND UNDER-UTILIZATION OF GENERATING FACILITIES, WEST ZONE HAS ACUTE POWER SHORTAGE. EAST ZONE BENEFITS FROM AVAILABILITY OF RELATIVELY ABUNDANT AND LOW-PRICED NATURAL GAS AND HAS ONE HYDROELECTRIC FACILITY OPERATING ON KARNAFULI RIVER NEAR CHITTAGONG IN SOUTHEAST. IN WEST ZONE, POWER GENERATION IS FUELED WITH MORE EXPENSIVE IMPORTED PETROLEUM PRODUCTS.

4. MAJOR DECISION NEEDED WHETHER TWO ZONES SHOULD CONTINUE TO BE DEVELOPED INDEPENDENTLY OR WHETHER THEY SHOULD BE INTER-CONNECTED IN SOME FORM. ADDITIONALLY, THERE HAS BEEN NO COMPREHENSIVE STUDY OF SIZE AND POTENTIAL OF VARIOUS ENERGY RESOURCES, SCALE AND PRIORITY IN THEIR USAGE AND LONGER TERM GROWTH REQUIREMENTS AND CONSTRAINTS IN BANGLADESH ECONOMY. (NO OIL IN COMMERCIAL QUANTITIES HAS BEEN DISCOVERED AS YET, AND COAL DEPOSITS IDENTIFIED THUS FAR MAKE ECONOMIC EXPLOITATION QUITE DIFFICULT.)

5. PROPOSED ENERGY STUDY EXPECTED TO BE COMPLEX AND POSSIBLY COSTLY UNDERTAKING. IT INVOLVES ASSESSMENT OF LIMITED OFFICIAL USE

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COUNTRY'S SHORT AND LONG-TERM ENERGY REQUIREMENTS AND ITS EXISTING AND POTENTIAL ENERGY RESOURCES AND WILL REFLECT PRIORITIES TO BE ESTABLISHED RE UTILIZATION OF RESOURCES. DISCUSSIONS AMONG BANGLADESH AUTHORITIES AND REPRESENTATIVES OF ADB AND UNDP INDICATE THAT, BEFORE COMPREHENSIVE ENERGY STUDY IS UNDERTAKEN, THERE IS CLEAR NEED TO MAKE INCEPTION STUDY OF PRESENT INFORMATION AVAILABLE, INCLUDING ANALYSIS OF ALL PREVIOUS STUDIES, TO ESTABLISH SPECIFIC FRAMEWORK

FOR CONDUCT OF ENERGY POLICY STUDY.

6. UNDP WILL FINANCE TOTAL FOREX COST OF PROPOSED INCEPTION STUDY, ESTIMATED AT ABOUT \$50,000. GOVERNMENT WILL FINANCE COSTS (EQUIVALENT ABOUT US\$5,000) OF LOCAL COUNTERPART PERSONNEL AND PROVISION OF LOCAL TRANSPORTATION. UNDP WILL ALSO PROVIDE BANK WITH AN AMOUNT EQUAL TO 13 PERCENT OF FOREIGN CURRENCY COST OF INCEPTION STUDY TO OFFSET BANK'S EXPENSES.

7. AS UNDP EXECUTING AGENCY, BANK WILL BE RESPONSIBLE FOR (A) RECRUITMENT AND SUPERVISION OF CONSULTANTS, SUBSTANTIALLY IN ACCORDANCE WITH BANK'S GUIDELINES; (B) ADMINISTRATION OF UNDP FUNDS; (C) REVIEW OF CONSULTANTS' PROGRESS AND EVALUATION OF THEIR FINAL REPORT; AND (D) ADMINISTRATION OF STUDY AND COORDINATION WITH CONCERNED GOVERNMENT AGENCIES. WORK OF CONSULTANTS WILL BE CLOSELY COORDINATED WITH THAT OF BANGLADESH PLANNING COMMISSION (WHICH IS RESPONSIBLE FOR CONTROL AND COORDINATION OF STUDY IN BANGLADESH), BANGLADESH POWER DEVELOPMENT BOARD, MINISTRY OF INDUSTRY AND OTHER RELEVANT GOVERNMENT AUTHORITIES. FOLLOWING COMPLETION OF INCEPTION STUDY, CONSULTATIONS IN MANILA ARE PROPOSED BETWEEN BANK STAFF, GOVERNMENT, UNDP AND CONSULTANTS TO FORMULATE DRAFT PROJECT DOCUMENT AND FINALIZED TERMS OF REFERENCE FOR ENERGY POLICY STUDY.

8. PROPOSED PRELIMINARY TECHNICAL ASSISTANCE IS CONSIDERED PREREQUISITE TO ENERGY POLICY STUDY TO ENSURE THAT ACCOUNT IS TAKEN OF ALL RELEVANT ASPECTS AND THAT FINAL STUDY WILL BE OF MAXIMUM USEFULNESS IN TERMS OF ECONOMIC PLANNING AND DECISION-MAKING ON MAJOR ENERGY-RELATED INVESTMENT IN BANGLADESH. USADB PROPOSES TO SUPPORT LIMITED OFFICIAL USE

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PROPOSAL AT MAY 9. BOARD OF DIRECTORS MEETING.
SULLIVAN

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